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Security Council

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Security Council Committee established pursuant to resolution 1267 (1999) concerning Al-Qaida and the Taliban and associated individuals and entities

Note verbale dated 18 February 2004 from the Permanent Mission of Kyrgyzstan to the United Nations addressed to the Chairman of the Committee

The Permanent Mission of the Kyrgyz Republic to the United Nations presents its compliments to the Chairman of the Security Council Committee established pursuant to paragraph 6 of resolution 1267 (1999) and has the honour to transmit herewith the report of the Government of the Kyrgyz Republic pursuant to paragraph 6 of resolution 1455 (2003) (see annex).

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Annex to the note verbale dated 18 February 2004 from the Permanent Mission of Kyrgyzstan to the United Nations addressed to the Chairman of the Committee

[Original: Russian]

Report from the Kyrgyz Republic regarding implementation of Security Council resolution 1455 (2003)

In order to protect the Kyrgyz Republic's financial and banking system, to prevent the use of banks for money-laundering transactions and to comply with paragraph 2 of Security Council resolution 1390 (2002), lists of members of the Al-Qaida organization and the Taliban movement and other individuals, groups, undertakings and entities associated with them, corresponding to the list drawn up in accordance with Security Council resolutions 1267 (1999) and 1333 (2000), have been sent to Kyrgyzstan's State and commercial banks.

In addition, all financial institutions in Kyrgyzstan have been informed of the requirements attached to transactions in order to counteract the legalization of income obtained illegally and the financing of terrorism, of the need to make the activities of commercial banks more transparent, of the prohibition of the use of accounts for criminal ends, of the recommended list of suspicious financial transactions and of ways to recognize and expose unusual deals.

In order to implement paragraph 5 of Security Council resolution 1455 (2003), Kyrgyzstan has adopted legislation containing measures to prevent banks and bank branches from being used for fraud:

- Strict identity-verification requirements have been established for customers wishing to open accounts and persons wishing to perform certain types of banking transaction; to that end, temporary instructions for handling deposits have been issued;

- In order to prevent transactions for the legalization (laundering) of income obtained by criminal means, to help to combat the financing of terrorism and to make banking transactions transparent, a resolution laying down requirements for the definition of offshore entities or individuals and offshore centres was adopted. In addition, article 8 of the Act on Banks and Banking Activities has been amended and expanded (in the wording of Act No. 63 of 26 March 2003). It now contains an outright ban preventing persons registered in offshore centres (of which the National Bank of Kyrgyzstan is drawing up a list) from holding a stake in the capital of Kyrgyz banks.

A Bill on combating the financing of terrorism and the laundering of income obtained by criminal means has now been drafted.

The overall aim of the Bill is to defend the rights and legitimate interests of citizens, society and the State and the integrity of the financial system of Kyrgyzstan from criminal infringement by establishing legal arrangements to combat the financing of terrorism and the laundering of income obtained by criminal means. The provisions of the Bill are based on norms and accepted international principles for preventing the use of the financial system for such ends, and its main aim is to

establish a system of measures to prevent and combat the financing of terrorism and money-laundering.

The Bill devotes particular attention to such tasks as:

- Imposing stricter identification requirements for customers of organizations carrying out transactions with financial and other assets;
- Imposing an obligation to keep information and records relating to customer identification and to transactions with financial and other assets for five years;
- Imposing compulsory checks of deals and transactions involving States or territories suspected of illegally producing narcotics, or in which one of the parties holds an account with a bank registered in such a State or territory;
- Strictly prohibiting banks and other financial and credit institutions from opening anonymous bank accounts and from performing any transaction without identification of the other party to the transaction and/or the customer;
- Requiring banks and other financial and credit institutions to develop internal-monitoring rules to combat money-laundering and the financing of terrorism, and procedures for implementing those rules;
- Requiring the appointment of special officials responsible for enforcing rules and implementing procedures to combat money-laundering and the financing of terrorism;
- Introducing norms governing the ability of an authorized body to gain access to all databases and registers held by State bodies.

The Government approved the Bill on combating the financing of terrorism and the laundering of income obtained by criminal means through decree No. 818 of 2 December 2002, and decided to transmit the approved Bill to the Zhogorku Kenesh (parliament) for consideration. The Bill was considered by the Budget and Finance Committee of the Legislative Assembly of the parliament on 13 February 2003 and adopted by that Committee on 20 May 2003. The decision was taken to transmit the Bill to the Legislative Assembly for consideration.

The development of a Bill on combating the financing of terrorism and the laundering of income obtained by criminal means made it necessary to draft a Bill on amendments and additions to certain legislative acts of the Kyrgyz Republic (the Criminal Code and the Code on Administrative Responsibility) in order to improve accountability. The Government approved the Bill through a decree of 10 December 2002, and decided to transmit the approved Bill to the Zhogorku Kenesh (parliament) for consideration.

We should also point out that the new wording recently adopted by the Financial Action Task Force (FATF) has led the appropriate departments in Kyrgyzstan to consider what additional issues must be reflected in that Bill.

Rapid adoption of the Bill will be the best way of defending the financial and banking system against criminal encroachment. We believe this is one of the most important conditions for the successful development of Kyrgyzstan's economy.

The appropriate security services and law-enforcement structures of Kyrgyzstan have been taking practical and investigative steps within their areas of responsibility to follow up the situation connected with the issues raised in Security

Council resolutions 1455 (2003), 1333 (2000) and 1390 (2002). So far, no funds, other financial assets or economic resources of the Taliban movement or Al-Qaida have been found in Kyrgyzstan, no individuals belonging to those organizations have been detected entering or transiting through its territory and no cases of direct or indirect supply, sale or transfer to such individuals of weapons, ammunition or vehicles have been found.

In addition, on 15 April 2003, the President of the Kyrgyz Republic signed the Act on accession to the International Convention for the Suppression of the Financing of Terrorism. It entered into force for Kyrgyzstan on 1 November 2003.

Accordingly, the measures which Kyrgyzstan has taken against money-laundering and the financing of terrorism are in line with worldwide trends in that regard.